

Message Text

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SUBJ: SALE OF AIRCRAFT TO TAC AND THAI INTERNATIONAL

REF: 75 BANGKOK 24746

1. SUMMARY: THAI AIRWAYS CORPORATION PLANS TO PURCHASE TWO BOEING 737'S AND THAI INTERNATIONAL TWO AIRBUSES. END SUMMARY.

2. ON JULY 16, EMBOFFS CALLED ON AIR VICE MARSHAL THAVEEP BUNNAG, MANAGING DIRECTOR OF THAI AIRWAYS COMPANY (TAC) TO INQUIRE ABOUT FUTURE AIRCRAFT PURCHASES OF TAC AND ITS SUBSIDIARY, THAI INTERNATIONAL.

3. AS FOR TAC, THE BOARD OF DIRECTORS MADE THE DECISION IN FEBRUARY TO PURCHASE ONE BOEING 737 AS SOON AS POSSIBLE AND ONE MORE IN TWO YEARS' TIME. THESE TWO PLANES WOULD EVENTUALLY REPLACE TAC'S AVROS ON THEIR MAIN RUNS TO CHIANG MAI-VIENTIANE AND HAAD YAI-PHUKET-PENANG. THE CURRENT AVRO FLEET OF NINE WOULD BE ULTIMATELY REDUCED TO FOUR AIRCRAFT PROVIDING SERVICE TO AREAS OF LESS DEMAND SUCH AS THE NORTHEAST AND AS SUPPLEMENTS TO THE 737'S.

4. TAC CHOSE THE 737 OVER THE DC-9, THE BAC 111 AND THE FOKKER 28. THE LATTER TWO AIRCRAFT WERE CONSIDERED TO HAVE INSUFFICIENT SEATING CAPACITY (LESS THAN 100). THE SECOND RANKED DC-9, UNLIKE

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THE 737, IS NOT OPERATED IN SOUTHEAST ASIA AND THEREFORE WOULD

HAVE TO GO ELSEWHERE FOR MAJOR REPAIRS. THE 737, A LARGER PLANE, SEATS FIFTEEN MORE PASSENGERS THAN THE DC-9 AND COULD BE SENT TO SINGAPORE OR KL FOR MAJOR WORK. ROUTINE MAINTENANCE WOULD BE PERFORMED BY THAI-AM IN THAILAND.

5. TAC HAS BEEN WAITING SINCE MARCH 27 FOR APPROVAL FROM THE COMMUNICATIONS MINISTRY TO PURCHASE THE FIRST 737. ACCORDING TO THE AGREEMENT WITH BOEING, THE CONTRACT WAS TO BE FINALIZED BEFORE JUNE 1 SO THAT TAC COULD TAKE DELIVERY BY AUGUST 1977 AND BEGIN OPERATIONS BY OCTOBER 1, 1977 TO HANDLE THE PEAK PASSENGER PERIOD FROM OCTOBER TO MAY. ACCORDING TO THAVEEP, THE MINISTER HAS BEEN SITTING ON THE APPROVAL FOR FOUR MONTHS; THAVEEP SAID THAT HE HAS HEARD THAT REPRESENTATIVES FROM BOTH BAC AND FOKKER HAVE VISITED THE MINISTER, AND HE BEMOANED THEIR LACK OF "CIVILIZED ETHICS". THE MINISTRY'S FORMAL APPROVAL IS REQUIRED FOR PURCHASES BY THESE STATE ENTERPRISES, LIKE TAC, WHICH COME UNDER ITS JURISDICTION, DESPITE THE FACT THAT TAC PLANS TO PAY CASH FOR THE EIGHT PLUS MILLION DOLLAR JETS COMPLETELY FROM ITS OWN PROFITS.

6. AS FOR THAI AIRWAYS INTERNATIONAL (TAI), ITS BORAD RECENTLY DECIDED TO DEFER PURCHASE OF THE THIRD DC-10 BECAUSE THE U.K. HAS REFUSED TO GRANT LANDING RIGHTS IN LONDON FOR ADDITIONAL TAI FLIGHTS. INSTEAD, THE BOARD APPROVED IN PRINCIPLE THE PURCHASE OR LEASE OF TWO AIRBUS-B4'S FOR SUCH REGIONAL ROUTES AS BANGKOK-HONG KONG-TOKYO AND BANGKOK-JAKARTA. THESE AIRCRAFT WILL REPLACE TWO OF THE SIX OLD DC-8-33'S WHICH ARE EXPENSIVE TO OPERATE. EVENTUALLY, TAI MAY OBTAIN ADDITIONAL AIRBUSES OR PERHAPS THE MEDIUM-SIZED DOUGLAS OR BOEING JETS FOR ITS SHORTER REGIONAL ROUTES TO KL, SINGAPORE, CALCUTTA A D KATHMANDU.

7. MR. THAVEEP ALSO SAID THAT TAC RECENTLY PURCHASED HALF OF THE THIRTY PERCENT SHARE WHICH SAS OWNED OF THAI INTERNATIONAL FOR U.S. FIVE MILLION DOLLARS. THE REMAINING FIFTEEN PERCENT WILL BE PURCHASED AS SCHEDULED BY MID-1977. THIS PURCHASE WILL GIVE THAI INTERNATIONAL INCREASED CAPITALIZATION, PERMITTING IT TO OBTAIN ADDITIONAL LOANS AND GOVERNMENT GUARANTEES FOR FURTHER AIRCRAFT PURCHASES.

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